

EXHIBIT 4

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**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION**

MASIMO CORPORATION,
a Delaware corporation; and
CERCACOR LABORATORIES, INC.,
a Delaware corporation

Plaintiffs,

v.

APPLE INC., a California corporation

Defendant.

Case No. 8:20-cv-00048-JVS-JDE

**JOINT STIPULATION
REGARDING PLAINTIFFS'
MOTION FOR A PROTECTIVE
ORDER**

[Discovery Document: Referred to
Magistrate Judge John D. Early]

Date: July 23, 2020
Time: 10:00 a.m.
Ctrm: 6A

Discovery Cut-Off: 7/5/2021
Pre-Trial Conference: 3/21/2022
Trial: 4/5/2022

Hon. James V. Selna
Magistrate Judge John D. Early

1 behalf of a Party or a competitor of a Party and such proposed
2 Outside Counsel did not, at the time the lawsuit was filed or within
3 the previous two (2) years from the date the lawsuit was filed, have
4 a business or ownership interest in a Party (i.e., was not a Board
5 member, Director, officer, employee, or hold a title with a Party).
6 Additionally, whether Plaintiffs' trade secret disclosure under
7 California Code of Civil Procedure Section 2019.210 is designated
8 "CONFIDENTIAL" or "CONFIDENTIAL – ATTORNEYS'
9 EYES ONLY," access to said disclosure shall be permitted for
10 three (3) Apple House Counsel.

11 **1. Plaintiffs' Position**

12 Plaintiffs again propose language similar to the language this Court
13 adopted in *True Wearables*. Compare Powell Decl., Ex. 2 (Plaintiffs' proposal)
14 at 16 with Ex. 13 (*True Wearables*) at 8. Apple replaced that language with a
15 proposal that (a) seeks to prevent certain of Plaintiffs' *outside* counsel from
16 accessing "Highly Confidential" information, yet (b) seeks to allow three of
17 Apple's *in-house* counsel access to Plaintiffs' "Highly Confidential" trade secret
18 information in Plaintiffs' Section 2019.210 statement. *Id.*, Ex. 4 at 17. The
19 Court should adopt Plaintiffs' proposal on both issues.

20 **a. The Court Should Reject Apple's "Relationship"**
21 **Restriction**

22 Apple proposes language that is nearly identical to the language this
23 Court previously rejected in *True Wearables*. In that case, the defendant asked
24 this Court to allow access only to individuals who, within two years prior to
25 filing suit, did "not have a business or ownership interest in a Party (*i.e.*, not
26 competitive decision makers, Board members, Directors, employees, owners,
27 shareholders, or affiliates of a Party)." Powell Decl., Ex. 12 at 9. The
28 defendants were trying to prevent Stephen Jensen from participating in the case.

1 After extensive briefing, this Court rejected the defendants’ proposal and
2 adopted language similar to the language Plaintiffs propose in this case, which
3 bars only “competitive decisionmakers.” *Id.*, Ex. 13 at 8. This Court then
4 rejected the defendants’ direct challenge to Jensen and concluded he was *not* a
5 “competitive decisionmaker.” *Id.*, Ex. 14 at 5-6.

6 Here, Apple proposes language that is nearly identical to the language this
7 Court previously rejected. In particular, Apple seeks to allow access only to
8 individuals who, within two years prior to filing suit, did not “have a business or
9 ownership interest in a Party (i.e., was not a Board member, Director, officer,
10 employee, or hold a title with a Party).” Powell Decl., Ex. 4 at 17. Apple has
11 not explained why this provision is necessary or provided any factual or legal
12 basis, whatsoever, for this provision. Indeed, Apple recently stipulated to a
13 protective order without such language. *See Pinn* (Powell Decl., Ex. 17) at 8. It
14 appears Apple is proposing this unusual language to exclude Jensen because
15 Apple added the language to its proposal as the parties in *True Wearables* were
16 litigating the same issue. Moreover, it does not appear that any of Plaintiffs’
17 other outside counsel could be impacted by this provision. Thus, while
18 Plaintiffs are in the dark as to Apple’s reason or basis for this provision,
19 Plaintiffs will direct their arguments towards Jensen in particular.

20 To restrict access to highly confidential information, Apple has the
21 burden of showing an unacceptably high risk of inadvertent disclosure. *See*
22 *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992).
23 Apple also bears “the burden of showing that specific prejudice or harm will
24 result from the disclosure of each document (or item of information) that it
25 seeks to protect.” *Nutratech, Inc. v. Syntech (SSPF) Int’l, Inc.*, 242 F.R.D. 552,
26 554 (C.D. Cal. 2007) (citing *Foltz v. State Farm Mut. Auto. Ins. Co.*, 331 F.3d
27 1122, 1130 (9th Cir. 2003)). The district court must balance the risk of the
28 disclosure against the risk to the receiving party that the denial of access would

1 impair prosecution of its claims. *Brown Bag*, 960 F.2d at 1470; *see also In re*
2 *Deutsche Bank*, 605 F.3d 1373, 1380 (Fed Cir. 2010). Apple cannot satisfy any
3 of those requirements here.

4 i. **Apple Cannot Show Jensen Will Inadvertently**
5 **Disclose Protected Material**

6 To evaluate the risk of inadvertent disclosure, the Court should examine
7 “the factual circumstances surrounding [Jensen’s] activities, association, and
8 relationship with a party.” *U.S. Steel*, 730 F.2d at 1468. A “crucial factor” is
9 whether Jensen is “involved in ‘competitive decisionmaking’; that is advising
10 on pricing or design ‘made in light of similar or corresponding information
11 about a competitor.’” *Brown Bag*, 960 F.2d at 1470 (quoting *U.S. Steel*, 730
12 F.2d at 1468 n.3). Here, this Court recently determined Jensen is not involved
13 in “competitive decisionmaking” for Plaintiffs. Powell Decl., Ex. 14 at 5-6; *see*
14 *also* Jensen Decl. ¶ 10; Kiani Decl. ¶ 6.

15 A protective order also mitigates risk because courts presume attorneys
16 will abide by protective orders and not expose themselves to contempt
17 sanctions. *Coventry First LLC v. 21st Servs.*, No. 05CV2179-IEG (NLS), 2005
18 WL 8173350, at *5 (S.D. Cal. Dec. 22, 2005) (“[I]n the absence of any actual
19 evidence of bad faith, the Court declines to presume [the attorneys] will disclose
20 [the] confidential information, thereby breaching the protective order and
21 exposing themselves to contempt sanctions.”) (*citing Truswal Sys. Corp. v.*
22 *Hydro-Air Eng’g, Inc.*, 813 F.2d 1207, 1211 (Fed. Cir. 1987)). Not only have
23 the parties agreed to a protective order, they even agree on barring Jensen and
24 the rest of Plaintiffs’ litigation team from engaging in patent prosecution.

25 At most, Apple may show Jensen is in contact with corporate officers
26 who make competitive decisions. But that is not enough. *See Matsushita Elec.*
27 *Indus. Co. v. United States*, 929 F.2d 1577, 1580 (Fed. Cir. 1991) (finding
28 “largely irrelevant” regular contact with corporate officials who make policy or

1 competitive decisions). Rather, “the factual circumstances surrounding each
2 individual counsel’s activities, association, and relationship with a party . . .
3 must govern any concern for inadvertent or accidental disclosure.” *U.S. Steel*,
4 730 F.2d at 1468 (“Whether an unacceptable opportunity for inadvertent
5 disclosure exists, however, must be determined, as above indicated, by the facts
6 on a counsel-by-counsel basis”).

7 Interaction with decision makers is insufficient because the issue does not
8 turn on the functions of the people a lawyer meets with, but on the functions of
9 the lawyer. As the Federal Circuit observed, “the standard is not ‘regular
10 contact’ with other corporate officials who make ‘policy,’ or even competitive
11 decisions, but ‘advice and participation’ in ‘competitive decisionmaking.’” *Id.*
12 at 1580. Lead litigation lawyers regularly report to boards and corporate
13 officers about ongoing litigation, despite the lawyers having access to highly
14 confidential information and the boards and officers engaging in competitive
15 decision-making. The point is that the people who have access to the highly
16 confidential information are not the people making the competitive decisions. If
17 the standard were physical proximity to, or regular interaction with, competitive
18 decision makers, no lead litigation counsel would ever see confidential
19 information.

20 Apple cannot meet its burden of showing Jensen, or any other lawyer at
21 Knobbe Martens, poses an unacceptably high risk of inadvertent disclosure.

22 **ii. Apple Cannot Show It Will Suffer Harm**

23 Apple also has not even attempted to meet its “burden of showing that
24 specific prejudice or harm will result from the disclosure of each document (or
25 item of information) that it seeks to protect.” *Nutratech*, 242 F.R.D. at 554.
26 Apple’s proposed language does not specify any particular information Jensen
27 should be excluded from viewing. Apple also failed to explain any particular
28 harm that Apple would suffer from Jensen viewing such information.

1 **iii. Apple's Restriction Would Prejudice Plaintiffs**

2 Exclusion of Jensen would also prejudice Plaintiffs. *See In re Deutsche*
3 *Bank*, 605 F.3d 1373, 1380 (Fed. Cir. 2010) (“[T]he district court must balance
4 [the risk of disclosure] against the potential harm to the opposing party from
5 restrictions on that party’s right to have the benefit of counsel of its choice”).
6 Jensen has served as Masimo’s outside counsel for over twenty-five years. *See*
7 *Kiani Decl.* ¶ 4; *Jensen Decl.* ¶ 2. During that time, Jensen has represented
8 Plaintiffs in numerous cases involving Masimo’s direct competitors and the
9 exchange of highly confidential information. *Jensen Decl.* ¶ 3. Plaintiffs rely
10 heavily on Jensen to evaluate and manage all of their intellectual property
11 litigation and other litigation concerning the companies’ technologies. *Id.* ¶¶ 6-
12 7; *Kiani Decl.* ¶¶ 4-5. Over the years, Jensen has gained extensive knowledge
13 of Plaintiffs’ technology. This has given him a unique ability to readily discern
14 when others are using that technology, assuming, of course, he can see the
15 relevant evidence. No other lawyer has Jensen’s breadth of understanding of
16 Plaintiffs’ technology and trade secrets. *Kiani Decl.* ¶¶ 5, 9; *Jensen Decl.* ¶ 5-6,
17 9-10.

18 Although numerous opponents have tried to deprive Masimo of Jensen’s
19 leadership in litigation, they have never succeeded. Every court to address this
20 issue has allowed Jensen access to highly confidential materials or information.
21 *Jensen Decl.* ¶ 4. Indeed, this Court twice rejected the *True Wearables*
22 defendants’ attempts to bar Jensen from accessing highly confidential
23 information. *Powell Decl.*, Exs. 22 and 23. Additionally, Apple’s outside
24 counsel in this case unsuccessfully attempted to exclude Jensen on behalf of
25 another client in another case. *Id.*, Ex. 18 at 24-25. This recurrence suggests
26 that Plaintiffs’ adversaries, including Apple, are well aware that depriving
27 Plaintiffs of their experienced choice of counsel would severely prejudice
28 Plaintiffs.

Jensen is accustomed to abiding by protective orders, appropriately handling and maintaining designated materials, and ensuring that he never reveals those materials, or the confidential information they contain, to his clients. Jensen Decl. ¶¶ 5 and 9; Kiani Decl. ¶ 10. Moreover, when appropriate, Jensen uses the best safeguard possible—he refrains from engaging in any discussion that could arguably implicate any information revealed to him under a protective order—as should any other outside lawyer. Jensen Decl. ¶ 5; Kiani Decl. ¶ 10. Because the actual prejudice to Plaintiffs outweighs any alleged—although unexplained—harm to Apple, this Court should reject Apple’s proposed restriction.

b. The Court Should Reject Apple’s Attempt to Provide Plaintiffs’ Trade Secrets To Its In-House Counsel

Apple argued Plaintiffs’ Section 2019.210 disclosure must be detailed and that this particular case requires a “more exacting level of particularity” than standard trade secret cases. Powell Decl., Ex. 25 at 21 n.1. Despite advocating for such a high standard, Apple insists that three of its *in-house* lawyers should have access to the highly confidential trade secrets set forth in Plaintiffs’ Section 2019.210 disclosure. *Id.*, Ex. 4 at 17. Apple provides no support or justification for requiring Plaintiffs to disclose *trade secrets* to Apple employees. Apple’s proposal thus creates a significant risk of further misappropriation of Plaintiffs’ trade secrets.

“Requiring a party to rely on its competent outside counsel does not create an ‘undue and unnecessary burden’” *See Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525, 529 (N.D. Cal. 2000) (rejecting Intel’s request to allow its in-house counsel access to highly confidential material because Intel was represented by competent outside counsel); *see also CytoSport, Inc. v. Vital Pharm., Inc.*, 2010 WL 1904840, at *2 (E.D. Cal. May 10, 2010) (rejecting request for outside counsel to view confidential material because forcing

1 defendant to “rely on competent outside counsel does not create an ‘undue and
2 unnecessary burden,’ sufficient to demonstrate actual prejudice”). Here, Apple
3 is represented by Gibson Dunn, which claims it has 20 offices, 1300+ lawyers,
4 and “129 years of excellence.” See <https://www.gibsondunn.com> (accessed
5 June 19, 2020). Apple will suffer no prejudice from denying Apple’s in-house
6 counsel access to Plaintiffs’ trade secrets.

7 Apple’s proposal also highlights its continued lopsided approach to
8 litigating this case. Apple is simultaneously seeking to prevent one of
9 Plaintiffs’ *outside* counsel from accessing all highly confidential information
10 while providing three of Apple’s *in-house* counsel access to Plaintiffs’ *trade*
11 *secrets*. See Powell Decl., Ex. 4 at 17. Nothing supports such a one-sided and
12 inequitable proposal. The Court should adopt Plaintiffs’ proposal.

13 **2. Defendant’s Position**

14 The parties have two disputes over which individuals should receive
15 access to another party’s highly confidential information. *First*, Apple seeks
16 entry of a protective order that denies access of its highly confidential and
17 sensitive “attorneys’ eyes only” documents to a party’s outside counsel who are
18 competitive decision-makers or have served on a party’s Board of Directors
19 within the last two years. This request is a reasonable and necessary measure to
20 protect Apple’s valuable technical information from inadvertent disclosure or
21 misuse. *Second*, to the extent Plaintiffs replead their trade secret claim, Apple
22 seeks to have a limited number of its in-house counsel receive access to
23 Plaintiffs’ alleged trade secrets, given the integral role in-house counsel is
24 playing in the defense of this matter.

a. **This Court Should Bar Those Who are Either
Competitive Decision-Makers Or Are Present Board
Members Or Were Board Members Within The Last
Two Years From Accessing Confidential Materials**

The parties agree that this action will involve disclosure of trade secret and other confidential and proprietary information; the parties disagree as to whether outside counsel who are competitive decision-makers or serve on a party's Board of Directors should be permitted access to highly confidential documents designated by Apple as "Attorneys' Eyes Only." In support of their argument that such persons should have access, Plaintiffs rely on their briefing in the *True Wearables* case. However, Apple was not a party to that briefing and Plaintiffs' attempts to liken this case to *True Wearables* fails in any event. In *True Wearables*, Plaintiffs asserted trade secret and infringement claims against the six-year old medical device start-up True Wearables, Inc. This is an inapposite comparison to the present case with Apple, one of the largest technology companies in the world. The accused products in this case, the Apple Watch Series 4 and 5, are extremely successful and valuable products already in the wearables space—far different than the fledgling startup in *True Wearables*.

Ninth Circuit precedent is clear that district courts may preclude access to a party's confidential and proprietary information from those involved in an opposing party's competitive decision-making. *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992). The Federal Circuit has defined what "competitive decision-making" means,⁸ and, to avoid any doubt as

⁸ Competitive decision-making is "[s]horthand for a counsel's activities, association, and relationship with a client that are such as to involve counsel's advice and participation in any or all of the client's decisions . . . made in light of similar or corresponding information about a competitor." *See U.S. Steel*

1 to its meaning, Apple’s proposal explicitly incorporates that definition. Mr.
2 Jensen, is a long-time contributor to Plaintiffs’ competitive decision-making.
3 Mr. Jensen’s extensive participation in Plaintiffs’ business enterprises creates an
4 untenable risk that his access to Apple’s confidential information will lead to the
5 inadvertent disclosure to those most capable of misusing Apple’s information.
6 But excluding competitive decision makers alone is not enough to resolve the
7 dispute, because Plaintiffs argue that one of their outside counsel, Mr. Jensen,
8 should not meet the Court’s definition of a competitive decision maker, a
9 position that Apple strongly disputes. Rather than defer that issue to a later
10 discovery dispute, Apple’s proposed protective order also explicitly excludes
11 current Board Members and those that have served in that role within the last
12 two years, which would exclude Mr. Jensen since he is a current member of the
13 Board of Directors of Plaintiff Cercacor. Restricting access from Board
14 members has been consistently upheld in cases in which courts have been asked
15 to impose those restrictions because participation at Board meetings “present[s]
16 an unacceptable opportunity for the inadvertent disclosure of confidential
17 information” because of the conflicting duty of disclosure inherent in Board
18 service and an individual’s consent to abide by a protective order. *See, e.g.,*
19 *Meridian Enters. Corp. v. Bank of Am. Corp.*, 2008 WL 474326, at *4 (E.D.
20 Mo. Feb. 15, 2008); *Norbrook Labs., Ltd. v. G.C. Hanford Mfg. Co.*, 2003 WL
21 1956214 (N.D.N.Y. April 24, 2003).

22 Here, good cause exists for granting Apple’s protective order. *First*, the
23 nature and pervasive scope of Mr. Jensen’s involvement with Plaintiffs’
24 business enterprises cannot be adequately separated from his concurrent role in
25 Plaintiffs’ wider litigation licensing business in a way that will otherwise ensure
26 the confidentiality of Apple’s information. *Second*, Mr. Jensen’s service on

27
28 *Corp. v. United States*, 730 F.2d 1465, 1468 & n.3 (Fed. Cir. 1984).

1 Plaintiff Cercacor's Board of Directors and its attendant fiduciary duty to that
2 Board evince the conflict of interests inherent in allowing him access to Apple's
3 confidential trade secret information. *Third*, the balance of hardships clearly
4 favors Mr. Jensen's exclusion in this case. The harm to Apple of inadvertent
5 disclosure of its most confidential information to Plaintiffs is substantial, given
6 that this information is its "crown jewel," disclosure to other companies of
7 which would create substantial harm to Apple. *See* Corp. Couns. Gd. To
8 Software Trans. § 8:2; *see also, e.g., buySAFE, Inc. v. Google, Inc.*, No. 3:13-
9 CV-781, 2014 WL 2468553, at *2 (E.D. Va. June 2, 2014). By contrast,
10 Mr. Jensen's exclusion would pose little harm to Plaintiffs, who employ a
11 variety of highly competent counsel (over fifteen partners and associates have
12 appeared on filings and meet and confers in this case) to represent them in this
13 and other cases. Accordingly, an order preventing Mr. Jensen and others
14 similarly situated from viewing Apple's confidential information will not
15 meaningfully impair Plaintiffs' ability to conduct this litigation; it will simply
16 prevent the inadvertent misuse or disclosure in other existing or potential
17 litigation of confidential information obtained from this litigation.

18 i. **The Relationship Between Mr. Jensen And**
19 **Plaintiffs Presents An Unacceptable Risk Of**
20 **Inadvertent Disclosure Of Confidential**
21 **Information In This Case**

22 The decision to exclude counsel from discovery requires an assessment in
23 each case of "the risk of inadvertent disclosure." *In re Matsushita Electric*
24 *Industrial Co. v. United States*, 929 F.2d 1577, 1579 (Fed. Cir. 1994) (quoting
25 *U.S. Steel Corp.*, 730 F.2d at 1468). That risk, in turn, "must be determined . . .
26 by the facts on a counsel-by-counsel basis." *Id.* Although the Federal Circuit
27 has stated that the key inquiry in evaluating that risk involves determining
28 whether the lawyer is involved in his client's "competitive decision making," it

1 has also made clear that that term is simply “shorthand” for broader
2 considerations relevant to assessing the risk of inadvertent disclosure, such as “a
3 counsel’s activities, association, and relationship with a client that are such as to
4 involve counsel's advice and participation in any or all of the client's decisions.”
5 *U.S. Steel Corp.* 730 F.2d at 1468 n.3. As one court has noted, “involvement in
6 competitive decisionmaking, while an important consideration [under *U.S. Steel*
7 *Corp.*], is not necessarily the exclusive one,” and proper analysis under *U.S.*
8 *Steel* involves a “careful and comprehensive inquiry” into the lawyer's “role in
9 the affairs of [his client's] company, his association and relationship with those
10 in the corporate hierarchy who are competitive decisionmakers, and any other
11 factor that enhances the risk of inadvertent disclosure.” *Autotech Techs. Ltd.*
12 *P’ship v. AutomationDirect.com, Inc.*, 237 F.R.D. 405, 408 (N.D. Ill. 2006).

13 Therefore, the determination of whether Mr. Jensen may be excluded
14 from access to confidential information involves a factual inquiry into whether
15 his “activities, association, and relationship” with Plaintiffs “are such as to
16 involve counsel’s advice and participation in any or all” of Plaintiffs’ decisions
17 in operating their licensing business. *U.S. Steel Corp.*, 730 F.2d at 1468 n.3.

18 Over the course of Mr. Jensen’s longstanding representation of Plaintiffs,
19 Mr. Jensen has served as both a day-to-day and long-term strategy advisor. He
20 has evaluated the companies’ intellectual property portfolios and overseen legal
21 due diligence, and he also served as Masimo’s acting Senior Vice President of
22 OEM Business, Business Development and General Counsel. *See* Biography of
23 Steve Jensen, *accessible at* <https://www.knobbe.com/attorneys/steve-jensen>. It
24 was in this capacity that Mr. Jensen made business decisions relating to the
25 manufacture of Masimo’s equipment and components.

26 In a 2020 declaration describing Mr. Jensen’s role as Plaintiffs’ attorney,
27 the former Chief Technology Officer at Masimo Corporation stated Mr. Jensen
28 “would advise Masimo about when to file patent applications, where to file

1 patent applications, whether to pursue continuations, and other decisions related
2 to creating patent portfolio value.” *Masimo Corp. v. True Wearables*, No. 3:18-
3 CV-02001-JVS-JDE, Dkt. 82-6, Ex. 6 at ¶ 4 (Mar. 16, 2020). Indeed,
4 Mr. Jensen is listed as an attorney of record before the USPTO on each of the
5 patents-in-suit and thus, may become a witness in this litigation, as the
6 prosecuting patent attorney may sometimes be deposed regarding the statements
7 made to the Patent and Trademark Office.

8 Taken together, these facts create a situation in which Mr. Jensen’s
9 experience as a business decision-maker is impossible to separate from his role
10 as Plaintiffs’ outside counsel. Given the depth of his involvement and
11 investment in Plaintiffs’ business, Mr. Jensen should not be permitted to access
12 Apple’s highly confidential information.

13 **ii. The Nature of Mr. Jensen’s Service on Cercacor’s**
14 **Board of Directors Conflicts With The Obligation**
15 **To Remain Silent Under A Protective Order**

16 Directors are fiduciaries of a corporation and, as such, occupy positions
17 of trust and confidence on which corporate officials must rely. *In re Allegheny*
18 *Int’l, Inc.*, 954 F.2d 167, 180 (3d Cir. 1992). A significant part of a director’s
19 duty of loyalty is to disclose to other decision-makers all information in his
20 possession germane to a transaction at issue. *Id.*

21 A Board member’s duty of disclosure arises from a director’s general
22 duties of care, good faith, and loyalty to the corporation, and the duty of
23 disclosure requires that directors “disclose fully and fairly all material
24 information within the board’s control.” *Skeen v. Jo-Ann Stores*, 750 A.2d 1170
25 (Del. 2000). The American Bar Association’s Corporate Director’s Guidebook
26 states that corporate directors have the following duty of disclosure:

27 As fiduciaries, directors have an obligation to take
28 reasonable steps to ensure that shareholders are

1 furnished with all relevant material information known
2 to the directors Likewise, directors also have the
3 duty to information their fellow directors and
4 management about information known to the director
that is relevant to corporate decisions.

5 ABA Section of Business Law, Corporate Director's Guidebook Fifth Edition,
6 § 3(C)(4) (2007) (Exhibit A).

7 Apple's proposal seeks to exclude outside counsel with service on a
8 Party's or a competitor of a Party's Board of Directors. The reason for this is
9 because such counsel bear fiduciary duties of disclosure to their Board of
10 Directors, yet must also abide by their ethical obligations as attorneys to the
11 protective order. To permit these oft-conflicting commitments unnecessarily
12 jeopardizes the security of Apple's most sensitive information.

13 Plaintiffs seek to invite these very risks by requesting that Mr. Jensen,
14 member of both Cercacor's Board of Directors and Masimo's Board of
15 Directors of the Masimo Foundation for Ethics, Innovation and Competition in
16 Healthcare, receive access to Apple's highly confidential information.
17 Plaintiffs' contentions that Mr. Jensen does not make business decisions would
18 mean that he does not fulfill his obligations to either Board as a director and
19 thus, cannot mean what they said. Directors are required to make decisions
20 related to the business of the corporation in order to fulfill their fiduciary
21 obligations. Mr. Jensen's duties of disclosure inherent in his service on the
22 Boards of both Plaintiffs directly fan the flames of the risks created in granting
23 Mr. Jensen access to Apple's protected information. The confidential technical
24 information about Apple's business which Mr. Jensen learns through an
25 "attorneys' eyes only" disclosure constitutes information that would be relevant
26 to a variety of Plaintiffs' corporate decisions. As such, Mr. Jensen's fiduciary
27 duty to disclose such information would obligate Mr. Jensen to inform the other
28 directors of Cercacor about any confidential "attorneys' eyes only" information

1 of Apple's that was also relevant to Cercacor's corporate decisions.
2 Accordingly, Courts have recognized that there is direct conflict between
3 outside counsel's obligations to abide by a protective order and his simultaneous
4 fiduciary duty to the corporation as a Board member and have uniformly refused
5 to allow access by individuals such as Mr. Jensen to the highly
6 confidential/trade secret information of another party. *See Norbrook Labs. Ltd.*
7 *v. G.C. Hanford Mfg. Co.* 2003 WL1956214, at *5 (N.D.N.Y. Apr. 24, 2003)
8 ("While the court does not doubt [outside counsel and Board member] Mr.
9 Heath's assurances that he will abide by the protective order, it cannot endorse a
10 situation that places Mr. Heath's ethical obligations as an attorney in direct
11 competition with his fiduciary duty to Hanford); *see also Meridian Enters.*
12 *Corp. v. Bank of Am. Corp.*, 2008 WL474326, at *3 (E.D. Mo. Feb. 15, 2008)
13 (finding "that the risk of inadvertent disclosure is great because Mr. McMullin
14 is both a shareholder of [Plaintiff] and a member of its Board of Directors, and
15 therefore has a fiduciary duty to [Plaintiff] to disclose all information in his
16 possession germane to issues discussed").

17 To the extent Plaintiffs may argue that they have no interest in Apple's
18 underlying technology, that is false. Plaintiffs' contention is belied by the fact
19 that Cercacor sells a device that "measures hemoglobin" and "are synced via
20 Bluetooth to an app which can display trends over time." *See Medgadget @*
21 *CES 2016: Cercacor's Ember Non-Invasive Hemoglobin Sensor*, Scott Jung,
22 Medgadget (Jan. 8, 2016), [https://www.medgadget.com/2016/01/medgadget-](https://www.medgadget.com/2016/01/medgadget-ces-2016-cercacors-ember-non-invasive-hemoglobin-sensor.html)
23 [ces-2016-cercacors-ember-non-invasive-hemoglobin-sensor.html](https://www.medgadget.com/2016/01/medgadget-ces-2016-cercacors-ember-non-invasive-hemoglobin-sensor.html); *see also*
24 *Athletes can know their hemoglobin instantly with Ember* (Jan. 18, 2016),
25 [https://www.sportswearable.net/athletes-can-know-their-hemoglobin-instantly-](https://www.sportswearable.net/athletes-can-know-their-hemoglobin-instantly-with-ember/)
26 [with-ember/](https://www.sportswearable.net/athletes-can-know-their-hemoglobin-instantly-with-ember/) ("Cercacor has produced a wearable which will provide you with
27 real-time data."). Plaintiffs' product is designed to interact with Apple's iPhone
28 and the accused Apple Watch also interacts with the iPhone. The likelihood of

1 future overlap between the technology that the accused products practice and
2 those of the products that Plaintiffs sell is increasing. Indeed, Cercacor's
3 product and the Apple Watch are both wearables and are targeted to the
4 consumer market. The wearable market is growing, especially as it relates to
5 health-related applications. It is incredibly unfair and prejudicial for Cercacor
6 to have a member of its Board of Directors with a fiduciary duty to steer that
7 company in the right direction to have had access to Apple's highly confidential
8 technical, financial, and source code information.

9 Assume, for example, that Cercacor is considering introducing a new
10 feature that technical documentation from Apple shows to have been rejected as
11 unsuccessful. By virtue of his access to Apple's highly confidential financial,
12 technical, and source code information, Mr. Jensen knows that Apple has
13 already rejected that feature as being unworkable. As a result, Mr. Jensen,
14 sitting in the Board meeting considering the issue, knows that Cercacor will be
15 wasting million dollars if it proceeds. Does he tell the Board and the
16 shareholders? Mr. Jensen has a fiduciary duty to advise the company and at the
17 same time, a prohibition from disclosing that information under the protective
18 order in this case. That is why the concern is so acute for Board members. As
19 explained in *Norbrook Labs*, Board members and those with competitive
20 decision-making should be denied access to Apple's "attorneys' eyes only"
21 highly confidential technical, financial, and source code information. 2003
22 WL1956214, at *5.

23 And where source code is involved, the risk is even greater. Indeed,
24 Plaintiffs cite no cases in this court or the Federal Circuit where Board members
25 of a reviewing party are subsequently allowed to view a competitor's guarded
26 technical information.

1 iii. **The Risk Of Inadvertent Disclosure of Apple’s**
2 **Confidential Information Outweighs Harm To**
3 **Plaintiffs, If Any**

4 This litigation involves sensitive and highly confidential technology
5 present in the Accused Products (the Apple Watch Series 4 and 5). Thus, the
6 confidential technical documents at issue is information that Apple must be
7 careful not to allow to fall into the hands of those that may be interested in
8 developing products that may compete with or otherwise exploit the technology
9 in the Accused Products or drafting patent claims to read on those products.
10 Any disclosure or improper use of Apple’s confidential information by
11 Mr. Jensen or any outside counsel, even if inadvertent, would severely harm
12 Apple by revealing its proprietary technology. Indeed, Apple could lose the
13 entire competitive advantage offered by its proprietary features if its source code
14 were disclosed.

15 We emphasize, of course, that our concern is inadvertent disclosure. We
16 do not question Mr. Jensen’s integrity as an officer of the court. But as the
17 Federal Circuit has stated, “[i]nadvertence, like the thief-in-the-night, is no
18 respecter of its victims.” *U.S. Steel Corp.*, 730 F.2d at 1468. Where counsel is,
19 like Mr. Jensen, an integral part of his client’s litigation licensing enterprise, and
20 is exposed to confidential information that may aid in advancing that enterprise,
21 “compartmentalization of protected information is . . . ‘a feat beyond the
22 compass of ordinary minds.’” *Autotech*, 237 F.R.D. at 408 (quoting *Shepard v.*
23 *United States*, 290 U.S. 96 (1933)). Or, to put it more bluntly: “once knowledge
24 has been gained, a person cannot perform a prefrontal lobotomy on himself.”
25 *Id.* at 408 n.3.

26 The issue of inadvertent disclosure can take on additional significance in
27 cases involving patents and trade secrets when the firm representing a party in
28 litigation matters also represents the party in patent prosecution and other

1 intellectual property matters related to patent prosecution. *See In re Deutsche*
2 *Bank Tr. Co. Ams.*, 605 F.3d 1373 (Fed. Cir. 2010). While Mr. Jensen says that
3 he no longer is involved in patent prosecution for Plaintiffs, his partners and
4 associates are. He works regularly with those colleagues in patent litigation
5 matters and the risk of inadvertent disclosure within his firm is thus a significant
6 concern. For attorneys involved in “making strategic decisions on the type and
7 scope of patent protection that might be available or worth pursuing, . . .
8 competitive decisionmaking may be a regular party of their representation.” *Id.*
9 at 1380. In such instances, “the risk of inadvertent disclosure of competitive
10 information learned during litigation is therefore much greater.” Even where an
11 attorney is not directly involved in patent prosecution, these attorneys may have
12 “the opportunity to influence the direction of prosecution,” and the risk of
13 inadvertent disclosure may nonetheless arise. *Id.*

14 In short, granting Mr. Jensen unrestricted access to confidential
15 information about Apple’s methods and systems would expose Apple to endless
16 litigation, even if Mr. Jensen conducts himself entirely in good faith.

17 By contrast, denying Mr. Jensen access to confidential information would
18 impose no significant harm on Plaintiffs. Plaintiffs retain highly competent
19 outside counsel to conduct their litigation, and have more than adequate
20 resources to retain additional counsel if they deem it necessary. Plaintiffs have
21 other highly competent counsel that have been involved in this case since its
22 beginning (and even in previous cases). Indeed, Mr. Jensen is not designated as
23 lead counsel—that is the role of Mr. Joseph Re. The availability of competent
24 outside counsel is typically sufficient to defeat any claim that exclusion of in-
25 house counsel would unduly prejudice the nonmoving party. *See, e.g., A.*
26 *Hirsch Inc. v. United States*, 657 F. Supp. 1297, 1305 (Ct. Int’l Trade 1987) (“in
27 view of retained counsel’s competence, it is not clear how plaintiffs’ position
28 will be prejudiced by excluding [in-house] counsel from access”); *Brown Bag*

1 Software, 960 F.2d at 1471 (finding no prejudice where outside counsel had
2 sufficient time and resources to review confidential materials and was
3 competent). The balance of hardships, therefore, strongly favors denying
4 Mr. Jensen access to Apple's confidential information.

5 **b. Apple's Provision Providing Trade Secrets to its In-**
6 **House Counsel**

7 Plaintiffs argue that Apple's proposal would result in a one-sided
8 approach whereby its in-house counsel would receive access to Plaintiffs'
9 alleged trade secrets and Plaintiffs' in-house counsel would not receive the
10 same. But by nature of their trade secret misappropriation claim, Plaintiffs have
11 alleged that Apple already has possession of their trade secrets.⁹ If Plaintiffs'
12 trade secret information is already in Apple's possession, as Plaintiffs contend,
13 then Plaintiffs should have no qualms about sharing that information with the
14 persons at Apple directly involved in the defense of this lawsuit. And as Apple
15 has explained repeatedly, a very limited number of Apple's in-house counsel
16 need access to this information in a case where Plaintiffs have asserted a
17 serious, high exposure claim of trade secret misappropriation against the
18 company. Contrary to Plaintiffs' assertions, the competence of Apple's outside
19 counsel does not absolve in-house counsel's need for access to this information.

20 Apple's in-house counsel is integrally involved in the defense of this
21 lawsuit. They need to know the purported trade secrets that Plaintiffs contend
22 were misappropriated (to the extent Plaintiffs replead that any purported trade
23 secrets were in fact misappropriated by Apple) in order to advise on strategy—
24 and, more importantly, to guide document collection and production, which
25

26 ⁹ Of course, Apple recognizes that the trade secret claim has been
27 dismissed from this case. However, because the claim was dismissed with leave
28 to replead, Apple wants to make sure that this protective order adequately serves
its interests and needs in the event the claim is repleaded.